

PROPERTY TAX APPEAL BOARD'S DECISION

APPELLANT: The Lurie Company  
DOCKET NO.: 00-24495.001-C-3  
PARCEL NO.: 17-16-210-007-0000

The parties of record before the Property Tax Appeal Board (PTAB) are The Lurie Company, (Lurie) the appellant, by Patrick C. Doody and Liat R. Meisler of Field & Christie, Chicago; the Cook County Board of Review, by Assistant Cook County State's Attorneys Tatia Gibbons and Anthony O'Brien; and Ares G. Dalianis of Franczek & Sullivan, P.C. on behalf of the intervenor, the City of Chicago Board of Education.

The subject property consists of a 35,010 square foot (sf) parcel improved with a 23-story multi-tenant office building with retail space on the ground floor. The masonry building was constructed in 1928 in the Central Loop Area at the corner of LaSalle and Monroe in the City of Chicago. The subject building contains approximately 700,000 square feet of gross building area and 658,772 square feet of net leasable area. The 72-year-old commercial building was renovated in 1968 and 1997.

Appearing before the Property Tax Appeal Board on behalf of the appellant was its attorney arguing the fair market value of the subject was not accurately reflected in its assessed value. In support of its market value argument, the appellant called Howard Ecker, a leasing broker, who represents tenants that lease properties similar to the subject property in the downtown Chicago area. In addition, the appellant submitted two complete separate appraisal summary reports, each with a valuation date of January 1, 2000, one authored by Neil J. Renzi Member of the Appraisal Institute (MAI) and another by Joseph M. Ryan MAI. Both Mr. Renzi and Mr. Ryan, the authors of their appraisals, were tendered as expert witnesses. Renzi's appraisal report was also signed by his associate Toby Sorensen. Sorensen was not present to testify. Ryan's appraisal report was also signed by his associate Thomas W. Grogan. Grogan was not present to testify.

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Based on the facts and exhibits presented, the Property Tax Appeal Board hereby finds a reduction in the assessment of the property as established by the COOK County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$ 5,321,520  
IMPR.: \$11,018,480  
TOTAL: \$16,340,000

Subject only to the State multiplier as applicable.

PTAB/TMcG.

The first witness, Howard Ecker was accepted by PTAB as an expert in the leasing of downtown office buildings. Howard Ecker described the subject property as an "A" Class building due to the quality of the ownership that manifests itself in higher operating expenses because of the owner's care of the property. Ecker described the Lurie Company's management style as impeccable. Ecker testified that the subject property could only obtain "B" Class rents because the building is not as efficient as an "A" Class building due to its poor floor plan that cannot be corrected, such as long corridors and the rear location of the elevators. Ecker testified that the LaSalle street district is no longer desirable as a location as is the present day West Loop. Ecker testified that during the late 1990's and early 2000, the gross rental rates for the subject property were the mid \$20's per square foot range.

Under cross-examination Ecker agreed his testimony was as a broker, not an appraiser. He did not offer a market value for the subject property and stated that he believed the LaSalle District was the weakest of the four downtown markets.

The first appraiser witness, Neil Renzi, testified that he is a State of Illinois Certified Appraiser and has the Member of the Appraisal Institute (MAI) designation. Renzi testified he has been a full-time appraiser for 36 years and that the subject was appraised as a fee simple estate. Stating that he has personally inspected the subject, it was the appraiser's opinion that the subject's highest and best use, as improved, is its current use.

To estimate a total market value for the subject of \$30,000,000 as of January 1, 2000, Renzi testified he employed the income and sales comparison approaches to value. The witness testified that he has appraised similar downtown buildings of the size of the subject or larger. He made a physical inspection of the property on April 13, 2001. He described the zoning as Business Planned Development No. 277 with a floor area ratio of 29 to 1.

Renzi testified that he did not employ the cost approach to value because the adjustments for depreciation and obsolescence would become too arbitrary. He also indicated that the cost approach was not employed due to the subject's age.

To begin, the appraiser estimated the value of the 34,855 sf site at \$26,100,000 based on five sales in the Central Business District. The land sales ranged from \$288.45 to \$863.91 per square foot (p/sf). The sales occurred between January 1998 and July 1998. After appropriate adjustments the appraiser arrived at a value of \$750 per square foot. With his estimated land value of \$26,100,000, Renzi testified that his final opinion of value for the property was \$30,000,000.

The first approach to value employed by the appraiser was the income approach. As a source to determine an income estimate for the subject, the appraiser took into consideration the subject's historical income and expense statements but did not rely on this data. He relied on market information in terms of competitive rents and expenses. The appraiser estimated the potential gross income for the subject's office, retail and below grade-leased space through research of several similar downtown office and retail rental sites. He arrived at an office rent estimate of \$21.00 (p/sf) based on five multi-tenant office buildings ranging from \$19.00 to \$24.00 p/sf. He arrived at a retail estimate of \$30.00 p/sf based on researched retail rentals ranging from \$20.00 to \$50.00 p/sf. After various adjustments he estimated the effective gross income (EGI) at \$11,744,471. An examination and comparison of the subject's expenses to statistics prepared by the Building Owner's and Manager's Association (BOMA) resulted in an estimate of expenses at \$6,680,000. Deduction of the expenses from the EGI resulted in a net operating income (NOI) of \$5,064,471 before taxes.

Renzi arrived at overall capitalization rate of 9.75% as a result of a review of various investor surveys, market analysis and the band of investment method. He favored the band of investment method. The appraiser included a tax load of 7.30% to arrive at a loaded capitalization rate of 17.05%. Capitalizing the net operating income of \$5,064,471 resulted in a fee simple market value of \$29,700,000 rounded.

In the sales comparison approach, Renzi examined the sales of five downtown multi-tenant office buildings he considered comparable to the subject. However, by way of comparison he described the subject as a white elephant because of its inefficiencies due to the multi-level open atrium in the center of the building resulting in additional corridors, the rear elevator location and non-contiguous floor plates.

The net rentable areas ranged in size from 125,000 to 690,341 square feet of building area with ages ranging from 30 to 96 years. The properties sold between December 1996 and July 2000 for prices ranging from \$8,725,000 to \$39,750,000 or from \$42.47 to \$69.80 p/sf of rentable area. All buildings have ground floor retail space. Renzi testified he confirmed these sales with the participants of these transactions. He testified that confirmation of these documents is more important than examination of public records because the participants know all the intricacies of the sales. As a basis of sales comparison, the appraiser considered the sales date, location, size, age and the comparable's condition. In addition, the appraiser made adjustments to the sales based on the date of sale, net rentable area, age and sale price per square foot. Therefore, Renzi's

estimate of value p/sf for the subject was \$50.00 p/sf resulting in a market value estimate of \$30,000,000 based on the sales comparison approach to value.

Renzi testified and described "A" class buildings as newer, more efficient and more reflective of current requirements. He described "B" buildings as older and less efficient buildings generating less rent than "A" buildings. "C" buildings are older, in inferior locations, no renovation and basically generate enough rent to get by.

Renzi testified that the Lurie Corporation recently spent about \$27,000,000 to renovate the property and felt this was a poor economic decision. He was of the opinion that the costly renovation did not remove the functional obsolescence and building inefficiencies. Renzi testified that his final opinion of value for the property was \$30,000,000. He explained that cost does not always equate to value and renovation does not always result in higher income. He asserted that the subject property's estimated value was not significantly affected by the recent \$27,000,000 renovation.

Renzi concluded that the two approaches to value supported one another. Because of leases on LaSalle Street he felt the income approach developed a more specific value and that (value) was supported by the sales approach. However, he states the opposite in the correlation section of his appraisal.

During cross-Examination Renzi testified the subject was pretty much a "C" building in an "A" location. He agreed that on page 49 of his report he described the building a class "B".

Renzi testified to his land value of \$26,100,000 and a total value of \$30,000,000 and admitted this figure could result in an improvement value of \$3,900,000. He agreed that window replacement was \$2,744,568 and elevator work was \$2,308,283 totaling more than \$5,000,000, a figure that is higher than his estimated total value of the improvement.

Renzi was questioned about his five comparable sales and he said he interviewed the participants for details of those sales. When questioned regarding sales details Renzi conceded that his associate Sorensen confirmed and verified all such data.

Renzi responded negatively if within his expense analysis his management fees of \$0.98 p/sf, based on the BOMA 2000 Exchange Report, are included in his administration and general costs category. When presented the BOMA Book it disclosed that management fees are included in the administrative expenses.

Renzi claimed a total administration fee of \$1.30 because BOMA does not include marketing, advertising and legal fees.

Renzi was questioned on his choice of rates through a series of exhibits and the use of the Korpacz Reports in developing a capitalization rate. His report stated he used an average overall rate (OAR) of 9.75% as indicated by the band of investment technique and the Korpacz Report. Renzi said he relied on the band of investment technique with support by the Korpacz Report.

Renzi testified that his land sales at Wacker and Madison and at Dearborn and Madison were inferior locations and based on these and other sales he arrived at a land value of \$26,100,000. He also testified the subject was substantially rehabilitated at a cost of \$27,598,438. Renzi testified that as to sale number one Sorensen would have contacted the principals involved in the sale of a government purchase. Renzi said he used 208 S. LaSalle as a rental comparable because it is similar to the subject in age and location. He said it has not had comparable rehabilitation and does not have the subject's obsolescence. He was informed 208 S. LaSalle a property similar to the subject sold for \$70.00 p/sf. Renzi stated the subject's tenant, the America National Bank, leases some 370,000 sf under a 20-year lease stated at \$25.00 p/sf but in reality under an effective rate that would be lower. Renzi agreed that there is an income of \$5,000,000 per year but that in his opinion this building is at the end of its economic life and any other owner would wreck the building.

The hearing officer inquired if the subject property's 2000 assessed value was based on an occupancy factor due to tenant vacancies. No 2000 property assessment printout was submitted into the record. Doody assured the PTAB that no occupancy request for relief in tax year 2000 was made of the Assessor or Board of Review in this triennial or the prior triennial. Gibbons offered to obtain for all parties printouts disclosing a recent assessment history of the subject. The printout was made part of the record but not marked as exhibits. The printout provided assessment data for assessment years 1996 through 2005. The printout disclosed no vacancy factors for assessment year 2000. It disclosed a land site of 35,010 sf valued at \$400.00 p/sf or \$5,321,520 and a 72-year-old improvement assessed at \$11,026,542. The 1999 assessment, a renovation year, totaled \$10,162,639 based on a land assessment of \$7,982,280 or \$600.00 p/sf and an improvement assessment of \$2,180,359 due to an occupancy factor of 27.6%.

During redirect Renzi testified that because the building was built in the 1920's it had no air conditioning and was consequently constructed with light courts and the multi-story atrium to provide lighting and ventilation. The open area thus

creates obsolescence to the floor plates. Finally, Renzi described the building as an "A" location and a "C" building and overall, something less than a "B" building.

Renzi was questioned in detail with regard to his understanding the components of market value and the appraisal techniques. The witness replied to the inquiries with detailed, confident and comprehensive answers.

The second appraiser witness Joseph Ryan testified that he is a State of Illinois certified appraiser and has the Member of the Appraisal Institute (MAI) designation. Ryan testified he has been in the property valuation field since 1980 and that the subject was appraised as a fee simple estate. Stating that he has personally inspected the subject, it was the appraiser's opinion that the subject's highest and best use, as improved, is its current use.

Ryan described the subject's site at LaSalle and Monroe as containing approximately 35,000 square feet and zoned Business Planned Development #277 with a FAR just under 20. The site is improved with a 23-story masonry-constructed, 616,000 net rentable building with about approximately 700,000 square feet of gross building area.

Ryan classified the building as a class "C" property. He described class "C" as an older building with functional obsolescence. An "A" building is a newer building, less than 15 years old and with modern floor plates. A "B" building is between 15 and 35 years old with more modern floor plates. This building is a "C" because of age, 72 years, and obsolescence.

Ryan did not use the cost approach because of the age of the building. He did an analysis of land sales to test if the land value exceeded the value of the land and improvements.

In the appraisal's land value section, the appraiser estimated the 35,366 sf site at \$15,900,000 based on eight land sales in the Central Business District ranging from \$99.80 to \$924.27 per square foot. The sales occurred between January 1997 and July 1999. After appropriate adjustments the appraiser arrived at a value of \$450 per square foot. Ryan did not adjust for floor area ratios because developers are more interested in location than floor area ratios.

In the income approach to value Ryan used five rental comparables. He compared and contrasted each of those to the subject and adjusted them for whether they were net or pass through. He arrived at a gross rent range of between \$17.25 to \$26.50 p/sf. Comparing and contrasting them to the subject he arrived at a net rentable rate of \$21.50 p/sf for the office

space of 608,846 sf and \$40.00 p/sf for the retail space of 7,583 sf. The total rentable space was 616,429. Ryan used 13% allowance for vacancy and collection loss. He used \$6.55 p/sf to allow for operating expenses. He compared and contrasted the Institute of Real Estate Management and the actual expenses to arrive at \$6.55 p/sf. Ryan testified he did allow for tenant improvements. His net operating income amounted to \$5,069,328. Ryan extracted his capitalization rate from the market and consultation with Korpacz and Real Estate Research. The rates ranged between 8% and 10%. Band of Investment was slightly higher at 10.5%. He arrived at an overall tax rate of 10% with a tax load of 7.3%, for a cap rate of 17.30%. Ryan capitalized the net operating income of \$5,069,328 to arrive at an income approach rounded value of \$29,300,000 for the subject.

In the sales comparison approach, Ryan examined the sales of five downtown multi-tenant office buildings he considered comparable to the subject. Ryan testified all the comparable buildings are class "C" buildings. The sales occurred between March 1998 and July 2000 for prices ranging from \$11,000,000 to \$29,000,000 or from \$42.47 to \$75.92 per square foot. The buildings ranged in age from 69 to 86 years with some renovated and ranged in size from 231,825 to 452,617 square feet. Ryan found overall rates for sales one, three and five of 9.5%, 9.5% and 12.7%, respectively. Ryan compared and contrasted the comparables with the subject making upward and downward adjustments with the exception of comparable two that sold for \$50.28 p/sf. Ryan arrived at a value of \$30,800,000 (rounded) based on \$50.00 p/sf of gross building area. Ryan testified he confirmed the sales with the parties involved.

Ryan testified he reconciled the two approaches to arrive at a final value of \$30,000,000. He felt buyers and sellers rely and give the most weight to the income approach, as did he, using the sales approach as supporting his conclusion of value.

During cross-examination Ryan testified he used 616,429 sf of net rentable area and was informed appraiser Renzi and the Lurie Company disclosed a net rentable area of 658,000 sf.

Ryan testified he classified the subject as a "C" class building. He was told other witnesses indicated a level higher than a "C". He was also shown a print of CoStar describing the subject as a "B" class building. In response, Ryan testified that FAR's are not determining factors in land sales because they are subject to change.

When questioned about the confirmation of sales data found in his sales approach to value Ryan could not recall if he made personal contact with the sales' principals. He said confirmation would

have been with brokers and maybe his cosigner, Tom Grogan made that contact.

Questioned about the building's rent rolls on page 79 and page 31, page 79 included the leased basement space of 62,969 sf absent from page 31. He indicated the average lease rate for office space is \$21.38 p/sf. He averaged gross and net leases and admitted he should have made adjustment to the net leases before he averaged the leases.

Dalianis provided Ryan with copies of Korpacz data regarding capitalization development relative to Ryan's capitalization rate. Ryan rejected Dalianis' data as not relative to his income approach because the information was for leased fee sales of institutional-grade properties, none of which apply to the subject.

Finally, Ryan testified that his certification section is not correct and that contrary to what is written, he did make an on-site inspection of the subject.

Ryan was questioned in detail with regard to his understanding the components of market value and the appraisal techniques. The witness replied to the inquiries with detailed, confident and comprehensive answers.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's final assessment of \$16,348,062 was disclosed. This assessment reflects a fair market value of \$43,021,215, when the Cook County Real Property Assessment Classification Ordinance level of assessments of 38% for Class 5a property, such as the subject, is applied.

Also, submitted into the record by the Board of Review is an Appraisal Review prepared by the Assessor at the request of the Board of Review. The Review is composed of two parts; a formula checklist analysis of the Ryan appraisal based on the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice and an opinion of value for the subject using the Sales Approach and Income Approach to value. The Appraisal Review was authored and signed by Eric Donnelly a licensed appraiser. The appraisal report was not signed but is presumed to be Donnelly's work. Donnelly was not present to testify nor were representatives from the Assessor's Office or the Board of Review present to provide supporting testimony and be subject to cross-examination.

Tatia Gibbons, Assistant State's Attorney, requested that the Appraisal Review be withdrawn from evidence because of some gross errors. Doody objected that the Review is in evidence and he feels compelled to respond to it and it goes to the weight and



credibility the PTAB gives it. The hearing officer ruled the Review is part of the record.

The Review described the subject as a 23 story building built in 1928, rehabbed in 1986 and 1997, containing 616,429 sf of rentable space and located on a 35,336 sf site. The assessor's employee used appraiser Ryan's land square footage. The Review is a technical desk review with no property inspection. The Review is centered on USPAP Standard Rules. The Review's findings rate Ryan's appraisal as acceptable to good.

In the comparable sales approach Donnelly used six improved sales. The sales occurred between April 1998 and July 2001 for office buildings built between 1913 and 1929 and ranging in size from 231,825 to 827,500 sf of net rentable area. The six sales ranged between \$17,600,000 and \$60,700,000 or from \$50.28 to \$83.53 per sf of net rentable area. Two buildings were identified as class "C" and two as "B-C". The author concluded with a rounded value of \$33,900,000 based on 616,429 sf at \$55.00 per sf of net rentable area.

In the income approach the author used 11 office leases from two class "C" buildings and one class "B/C" building and three additional rentals ranging in size from 1,054 to 89,909 sf for effective gross rental rates ranging from \$15.75 to \$32.00 p/sf. Ten commercial rental comparables ranged from 542 sf to 8,000 sf for rates ranging from \$36.00 to \$64.68 p/sf. The author concluded with 7,583 sf of commercial space at \$341,235 or \$45.00 p/sf; 372,747 sf of American Bank rental space at \$5,902,475 or \$21.00 p/sf and office space of 236,099 sf at \$5,902,475 or \$25.00 p/sf, resulting in a total income of \$14,100,000, rounded. Vacancy and collection loss totaled \$1,692,000 and various expenses totaled \$6,963,914 totaling a net operating income of \$5,444,086. A loaded cap rate was estimated to be 16.8%. The net operating income capitalized at 16.8% concluded with a fee simple value via the income approach of \$32,000,000, rounded. The reconciliation of values gave the most weight to the income approach concluding with a final value of \$32,500,000 for the subject property.

Donnelly was not present to testify or undergo cross-examination by all parties and the Property Tax Appeal Board.

Appearing before the Property Tax Appeal Board on behalf of the intervenor was its attorney arguing the fair market value of the subject is greater than the fair market value reflected by the current assessment.

In support of its market value argument, the intervenor, the City of Chicago Board of Education presented a summary appraisal report and the testimony of its author Kevin A. Byrnes. Byrnes

testified that he is a State of Illinois licensed and certified general appraiser and has been in practice for over 15 years. He further testified that he personally inspected the publicly accessible areas of the subject. He indicated that the subject was appraised as fee simple estate and in his opinion the subject's highest and best use as improved is its current use. In his report, he noted that he relied on some of the information contained in Renzi's appraisal report. Byrnes further testified the purpose of the valuation was to arrive at a fair market value for the subject as of January 1, 2000, which he concluded was \$47,300,000.

Byrnes testified to the complete recent \$27,600,000 renovation of the subject and described that renovation as found on the web site of Lohan Associates the project architects. He testified to a very favorable market in 2000. To estimate the market value of the subject Byrnes used the sales comparison approach for the land value, the income approach and the sales comparison approach for the whole property.

In the appraisal's land value estimate, the appraiser estimated the 34,860 sf site at \$22,659,000 based on six land sales in the Central Business District ranging from \$300.78 to \$875.66 per square foot for lots ranging in size from 25,200 to 64,030 sf. The sales occurred between April 1998 and February 2001. After appropriate adjustments the appraiser arrived at a value of \$650 per square foot. The subject's zoning is Business Planned Development #277 with a FAR of 29.75. Byrnes adjusted his sales for floor area ratios and arrived at \$20.00 for 1,037,000 sf of building or a total of \$20,740,000. He reconciled his sales analysis at a site value of \$22,000,000, rounded or \$631.10 p/sf of land.

In the sales comparison approach, Byrnes examined the sales of six office buildings in the subject's general area he considered comparable to the subject. Containing between 232,698 and 1,069,371 square feet of net rentable area, the buildings ranged from 18 to 42 years old. Byrnes opined the subject was extensively renovated in 1997 which substantially reduced the subject's effective age to a level more comparative with the comparable sales. They sold between June 1997 and June 2000 for prices ranging from \$10,150,000 to \$114,200,000, or from \$43.62 to \$107.54 per square foot. The sales disclosed a NOI of between \$3.67 and \$9.61 per square foot. To confirm the sales, Byrnes testified that he contacted the buyers, sellers, brokers and press releases and also inquired whether the NOI was developed before or after deductions of tenant improvements and leasing commissions. Byrnes developed the NOI before deductions for tenant improvements and leasing commissions. Byrnes estimated the subject's occupancy to be 85%. Adjustments were made to the comparables for the physical differences between the comparables

and the subject, market conditions, sales conditions, age, location, size and net income per square foot. After adjustments, Byrnes considered sale #5, at 205 W. Wacker, the most similar to the subject. After an analysis of the sales data and a correlation of the NOI to the sale prices, Byrnes arrived at value of \$72.00 per square foot or \$47,430,000 for the subject property based on the comparable sales approach to value.

The next approach to value employed by the intervenor's appraiser was the income approach. As a source to determine an income estimate for the subject, the appraiser took into consideration the subject's historical income and expense statements but did not rely on this data. Byrnes testified he relied on market information in terms of competitive rents and expenses. The appraiser estimated the potential gross income for the subject's office, retail and below grade-leased space through research of several similar downtown office and retail rental sites. Byrnes considered 18 reported office leases dated from April 1998 to August 2000 for sites ranging in size from 1,800 to 101,675 square feet of space for buildings ranging in age from 25 to 40 years. The gross rent p/sf ranged from \$17.88 to \$26.37. Byrnes also made reference to Insignia/ESG Office Market Report for "B" class, Central Loop buildings disclosing 4<sup>th</sup> quarter gross rental rates for 1997, 1998 and 1999 of \$21.08, 24.69 and \$25.95, respectively. Byrnes also considered 1999 leases in the subject property. After analysis of his office rental data, Byrnes concluded the well-located 72-year-old renovated subject should achieve a rental rate within the range seen in Chicago for "B" class buildings. He concluded with an above grade office rental rate of \$22.50 p/sf resulting in a total of \$12,876,660 based on 572,296 sf. Based on an analysis of four retail rental leases, Byrnes concluded with a retail rate of \$40.00 p/sf for 23,507 sf or a total of \$940,280. Byrnes estimated the below grade rental space of 62,969 sf at \$10.00 p/sf or a total of \$629,690. Therefore, Byrnes estimated the subject's potential gross income at \$14,446,630.

Byrnes estimated vacancy and collection loss at 15% or \$2,166,995 resulting in an effective gross income of \$12,279,995 to which he included another income figure of \$100,000 or an effective gross income of \$12,380,000, rounded.

Byrnes gave consideration to the subject's operating expense history but gave most weight to the BOMA study. Having researched BOMA's estimates of operating and fixed expenses for Loop properties and having reviewed Korpacz's Real Estate Investor's Survey indicating that NOI for direct capitalization did not allow for a deduction for tenant improvements and leasing commissions, Byrnes arrived at total expenses before taxes of \$4,780,000, resulting in a stabilized net income before taxes of \$7,600,000.

Byrnes testified he developed a capitalization rate from three sources. One source was the comparable sales yielding cap rates from 8.0% to 9.7%. The second was from the Korpacz Survey and the American Council of Life Insurers Commercial Mortgage Commitment Report that disclosed rates of 9.03% and 9.05%, respectively. The third source was the Mortgage Equity Method that yielded a rate of 9.5%. Byrnes concluded with an overall cap rate of 9.5% to which he added an effective tax rate of 6.58. for a total rate of 16.08%. Byrnes' tax load was based on the 2000-tax rate and equalization factor. By capitalizing the net operating income of \$7,600,000 by the total cap rate of 16.08%, Byrnes arrived at a rounded value of \$47,265,000 for the income approach to value.

In conclusion, Byrnes estimated a land value to be \$22,000,000. The sales comparison approach to value at \$47,430,000 and the income approach to value at \$47,265,000. Byrnes gave weight to the sales comparison approach, but testified he gave more weight to the income approach to value reconciling his final value at \$47,300,000.

During cross-examination Byrnes was asked why he left McCann and Associates. Byrnes said he just walked out. Doody asked if Byrnes took certain things belonging to McCann when he walked out. A civil court case resulted as a result of Byrnes and others leaving McCann. Dalianis objected that a lawsuit between Byrnes and McCann that had been settled had nothing to do with this case. Doody argued that it goes to the character of the witness. Byrnes claimed there was a settlement order entered on December 29, 2005 in the Circuit Court. All was dismissed. The hearing officer ruled that this matter is not relevant to this hearing.

Byrnes admitted he obtained data from the Ryan and Renzi reports. He agreed there are more "B" buildings in the Loop than "C" and that the subject a class "C" became a class "B". Byrnes defined a building's class by the rents it can command.

Byrnes did not at first recall that the subject is encumbered by a multi-story atrium. He claimed the building had full floors. As he testified he made an analysis of the site size, the ground floor bank sf area and the square footage of the above leased office floor plates and then testified that there is an area that is not counted as leaseable floor space.

Byrnes was questioned in detail regarding his understanding the components of market value and the appraisal techniques. The witness replied to the inquiries with detailed, confident and comprehensive answers. In addition, Byrnes' presentation and

testimony gave the impression he was the primary author of his report.

Next, in rebuttal the intervenor presented Brian F. Aronson. Aronson testified that he is a State of Illinois certified appraiser, has the Member of the Appraisal Institute (MAI) designation and has been an independent appraiser for about 15 years. Aronson testified he was employed by the Board of Education as a review appraiser. He described the appraisal review process as a critique and technical review of the appellant's appraisals.

Aronson tabulated various violations of the Uniform Standards of Professional Appraisal Practice (USPAP) found in Renzi's appraisal, quoting page, chapter, and verse and including Roman Numerals.

As to the Renzi appraisal, Aronson noted Renzi used 595,803 net rentable sf, whereas in the income approach he used 658,772 sf of net rentable area. Aronson made an overview of the Renzi appraisal disclosing a total value of \$30,000,000 with an estimated land value of \$26,100,000 for a property that most recently was subject to a \$27,600,000 renovation resulting in an improvement value of \$3,900,000. Aronson noted that on page 49 Renzi made a brief reference that the subject is a class "B" building.

Aronson claimed he interviewed participants in Renzi's reported comparable sales in the sales approach and disclosed sale number one should have \$1,015,000 removed from the total price as reported personal property. He felt contact with the participants would have revealed information that would have affected the choice of capitalization rates. Doody objected that Aronson's testimony based on conversations with various brokers and real estate people was not subject to cross-examination. Doody was overruled.

Aronson pointed out that in Renzi's conclusion to the sales approach Renzi used 595,803 net rentable sf at \$50.00 p/sf and in the income capitalization approach he used 658,772 sf of net rentable space.

Aronson claimed that based on interviews (and he identified brokers by name), research and his own experience, expenses for reserves, tenant improvements and leasing commissions are typically excluded as operating expenses.

Referring to BOMA, research and interviews, Aronson claimed a \$470,000 management expense found on page 52 in Renzi's expense analysis of the appraisal is already considered part of the administration expense and therefore, results in a "double dip".

In addition, on page 54 of Renzi's appraisal, it states, under the heading of Management, the management expense was reported as being part of Lurie's Administration and General expenses for 1997 and 1998. Aronson noted that Lurie's own operating statement for 1999 on page five shows a NOI and on page six under non-operating expenses they show capital costs that include tenant improvements, lease concessions and leasing commissions.

Aronson was asked to offer an opinion of value based on a reconstructed NOI. Aronson complied, without objection. For illustration purposes he removed the Management, Reserves, Alteration/T.I. and Leasing Commission expenses totaling \$2,290,000 from Renzi's expense total. Aronson then capitalized this figure by accepting the appraisal's developed cap rate of 17.05% to arrive at \$13,430,000 to which he added the appraisal's final figure of \$30,000,000 to arrive at a final figure of \$43,430,000.

Aronson was asked to comment on Ryan's appraisal. Aronson proceeded to tabulate various violations of the Uniform Standards of Professional Appraisal Practice (USPAP) found in Ryan's appraisal submitted by the appellant, quoting page, chapter, and verse and including Roman Numerals.

Aronson noted Lurie's financial statements, found in the addendum and Renzi's appraisal used 658,772 sf of net rentable space whereas, Ryan used 616,429 sf of net rentable space. Also, Aronson disclosed Ryan used a FAR of 16 to 1 while the actual FAR was 29.75 to 1. Aronson claimed Ryan did not describe the \$27,600,000 renovation features that should have an impact on the value estimate. In providing the rent roll on page 79, Ryan lists 63,000 sf of leased basement area whereas; the rent roll on page 31 does not include these 63,000 sf. Mr. Aronson disagreed with Ryan's "C" building classification.

Aronson noted that a comparable sale in Ryan's appraisal had an effective age of 1,927 years.

Aronson disclosed that on page 79 the rent roll amounted to an average of \$21.28 p/sf. However, Ryan should not have averaged the gross expenses and the net expenses without an adjustment to the net rentals.

Aronson remarked that Ryan estimated the subject's potential rental income at \$13,393,509 and Ryan's effective gross income at \$9,106,939, a figure that is 35% less than was reported in Lurie's 1999 financial statement.

For illustration purposes, Aronson accepted Ryan's effective gross income of \$11,652,353. He argued \$3,914,325 in deductions

for leasing commissions and office and retail tenant improvement expenses were invalid costs and should not be applied. Therefore, the subject's NOI would be \$7,738,000, rounded. Accepting Ryan's 17.3% capitalization rate, with tax load, would result in a market value of \$44,730,000, rounded. Aronson noted Ryan gave the income approach primary consideration.

During cross-examination Aronson was questioned regarding USPAP on who governs violations of the rules of USPAP; who is qualified to determine violations; who is obliged to report USPAP violations and if Aronson is ethically bound to report violations. Aronson testified in this case he was complying with the assignment of his client, the Board of Education. Aronson testified he did not opine values of \$43 and \$44 million for the Renzi and Ryan appraisals but reconstructed data using appropriate appraisal methodology.

Next, appearing before the Property Tax Appeal Board on behalf of the appellant, the Lurie Company, is their witness Anthony Uzemack, MAI. Uzemack is a licensed appraiser in the States of Illinois and Indiana. He is a teacher of appraisal techniques for the Appraisal Institute, the Appraisal Foundation and USPAP. Uzemack is a Real Estate Broker in Illinois, Michigan and Indiana. He averages two Reviews of appraisals per week. He testified he has written appraisals for various downtown clients such as 135 S. LaSalle and 221 N. LaSalle.

Uzemack's assignment was to review two appraisals to estimate the accuracy of the final estimate of value of appraisals written by Byrnes for the Intervenor and Donnelly for the Board of Review.

Uzemack described Donnelly's report as an appraisal. He thought it was pretty decent and was a two-part report in that it was a technical review of Ryan's appraisal and an opinion of value offered by Donnelly.

Uzemack testified Byrnes' report had some serious holes in it. His basic concern was that Byrnes never clearly defined the class of the subject building. Uzemack described any building built in the 1920's as automatically a class "C" building. Class "B" buildings were built between the 1950's and early 1980's and are newer and more modern buildings. Class "A" buildings are more visually different, more efficient, safe, electronic and economical. He testified some "B" buildings have attractive appointments but all battle to obtain rents. Uzemack testified class "C" buildings are up and down LaSalle Street. They have functional inadequacies. He held that remodeling could modify such inefficiencies but the functional obsolescence remains. It costs more to maintain class "C" buildings.

Uzemack testified he determined that the subject is a class "C" building based primarily on its age and that Byrnes caused confusion by using class "B" rents and class "B" sales. Uzemack asserted a class "B" is more efficient than a "C" because of functional obsolescence found in the subject such as long corridors, higher ceilings and in this case a gigantic great hall (bank lobby) occupying three stories with unused potential rental space. An investor looks to a return on money rather than the beauty of a bank lobby.

Uzemack testified that the final value is wrong because of comparing different classes of buildings. He claimed that from the gross income standpoint it works because of the ownership. Lurie has one of the best reputations as being one of the most intensified managers of older properties in the city and the country. He testified that they are very good at what they do, so they can command rents higher than most class "C" buildings in the Loop.

Uzemack disclosed he took photographs of the appraisal's comparable sales and rental properties to assist him in making comparisons. He offered to share the pictures by way of demonstration. Uzemack described the building class differences as a riddle or a complicated problem made clearer by a visual aid. Dalianis objected to Uzemack's narrative testimony and the admission of the photographs. The hearing officer sustained the objection.

In the income approach Uzemack explained that if we look to the more modern buildings, they typically achieve higher unit rents per square foot. So comparing an older property to more modern rental properties we arrive at a higher rental scale for the older subject. The subject is 72 years old and the appraisals comparables range in age from 18 to 42 years. Older properties are far less efficient and the more inefficient the higher the expenses.

Uzemack claimed the subject's renovation arrested deterioration but the renovation was also completed to correct some inefficiencies and to attract and hold tenants (Amer Nat Bnk). Again, Uzemack praised Lurie for their investment in the property. He described the stabilized net income at \$7,500,000, (Byrnes' figure) dividing that by their (Lurie) \$28 or \$30 million input would result somewhere around a 26% or 27% return on investment. And, he opined, if you are real estate savvy with the right tenants, then that is a smart investment.

Uzemack asserted the weak point of the appraisal is the lack of recognition of the factor of age in regard to the subject and the appraisal's comparables. For this reason the appraisal's sales



comparison approach was not a strong indicator of value due to the comparable sales used. Uzemack also stated that the appraisal's serious problem was in the income approach due to the use of class "B" comparable buildings that are more modern and efficient.

In the income approach Uzemack disclosed the property's income and expenses were not stabilized as of January 1, 2000. The appraisal reported, from the ownership's records, a 70% occupancy for 1998 and just shy of 80% for 1999. The appraisal stabilized the vacancy and collection loss at 85% occupancy. Uzemack stated that omitted in the analysis is the cost to go that 5% to bring it up to 85% occupancy. Uzemack, using 5% of 658,000 sf net rentable arrived at the 32,900 sf needed to achieve the stabilized rent figures and stabilized expenses. Uzemack's research with Lurie disclosed a \$45.00 p/sf cost to make renovations and improvements to the 32,900 sf of space, or a cost of \$1,480,500. If this cost were included into the stabilized income and expense it would contribute to the value of the property. Capitalizing the \$1,480,500 by the appraisal's loaded cap rate of 16.08% would result in a deduction of \$9,207,000 from the final value. The appraisal opines a final value of \$47,265,000. Uzemack claimed deducting the \$9,207,000/\$8,812,000 results in a final rounded value of \$38,000,000. Uzemack concluded that this was a huge error in the appraisal.

In conclusion, Uzemack opined the shortcoming of the report was that it did not capture the actual building at the time it was being appraised and capture its structural deficiencies.

During cross-examination Uzemack agreed that the report submitted by the Board of Review and originating from the Assessor is titled an Appraisal Review rather than a complete appraisal or appraisal report.

The parties both agreed to submit written closing argument to be filed after the transcript was reviewed.

In closing the appellant's counsel argued the subject was assessed at \$10,162,639 (1999 assessment) that converts to a market value of \$43,021,216. He referenced the Board of Review's only evidence, as being the Assessor's review appraisal indicating a market value of \$32,500,000 that is an admission the property is over-valued. Ecker, a broker, disclosed the subject is an "A" building only able to obtain "B" class rents because despite the renovations it is not as efficient as a class "A" building. LaSalle Street is no longer as desirable as the West Loop. He argued appraisers Renzi and Ryan both arrived at the same market value estimate of \$30,000,000. They both testified to the subject's obsolescence and inefficiencies and the

renovation did not cure these problems. Renzi testified that cost does not always equate to value and that the renovation did not result in a big difference in value. The appellant's counsel argued that Kevin Byrnes testified the subject had full floor plans from above the great hall to the roof. The appellant's counsel also recalled that Byrnes had testified that if the full building had an extended atrium it would result in higher operating expenses. The appellant's counsel made reference to the intervenor's review appraiser who pointed to many typographical errors that would not affect value. The appellant's counsel referred to Uzemack's testimony that Byrnes' appraisal contained many factual errors. Most importantly, that Byrnes failed to classify the building and incorrectly used class "B" comparable data for a building that Uzemack considered a class "C" property.

Finally, the appellant's counsel argued that Lurie Company has met its burden of showing that the County's assessment/market value is erroneous through the uncontradicted testimony of its witnesses and therefore requests a market value of \$30,000,000.

In closing the intervenor's counsel argued the subject was valued by the Assessor and the Board of Review at \$16,348,062 assessed that converts to a market value of \$43,021,215. He argued the Board of Education's appraisal report indicated a market value of \$47,300,000.

The intervenor's counsel referred to Ecker's testimony that due to the quality of ownership the subject was able to obtain class "B" rents in the mid \$20's per square foot. Counsel argued that Renzi described the subject as a class "B" property and opined to a rental range of \$19.00 to \$22.00 per square foot. Counsel claimed Ryan described the subject as a class "C" property and opined to a net rental of \$21.50 and a retail rental of \$40.00 per square foot. Byrnes testified that the subject is a class "B" building due to its recent and extensive restoration. Byrnes gave primary weight to the income approach and opined to a gross rental rate of \$22.50 p/sf of office space and \$40.00 p/sf of retail.

The intervenor's counsel referred to Aronson's testimony regarding USPAP violations: that Renzi used different net rentable space for the income and the sales approaches, that Ryan used an incorrect net rentable area of 616,429 square feet, that Ryan used an incorrect FAR for the land, and that he incorrectly averaged gross and net rents.

With reference to Uzemack, the intervenor's counsel claimed Uzemack contradicted himself as regards leasing commissions, tenant improvements and replacement reserves. As evidence of this contradiction the intervenor's counsel submitted Uzemack's

testimony found in Uzemack's Technical Review Appraisal for 311 S. Wacker Drive as Exhibit A of his closing statement. The PTAB finds this is new evidence that was not subject to cross-examination by the appellant. Therefore, the PTAB will not allow Exhibit A to be placed into the record.

With regard to the intervenor's Exhibits: In Exhibit B the intervenor's counsel repeated Lurie lease data. Exhibit C is a summary of improved sales used by Byrnes, Ryan and Renzi. Exhibit D is a FYI article on definitions of NOI and ORA. Exhibit E is three pages of various local rates, methods of choosing a NOI and data on the Chicago Office Market in 2000. Exhibit F discloses three resulting NOI's (relative to Renzi's appraisal) if operating expenses are deducted in each case and replacement reserves are deducted in method one, if only operating expenses are deducted in method two and if replacement reserves, leasing commissions, alterations/TI and operating expenses are deducted. The resulting final values would be: method #1 \$39,557,015, method #2 \$40,378,129 and method #3 \$29,703,642.

The intervenor's counsel claimed that both Renzi and Ryan made improper deductions from the effective gross income, such as deductions for alterations/TI, leasing commissions and replacement reserves. The intervenor's counsel argued that Aronson's reconstruction of Renzi's and Ryan's income and expense statement would result in a rounded income approach market value of \$43,430,000 for Renzi and \$44,730,000 for Ryan.

In conclusion, the intervenor's counsel argued that the appellant failed to meet the burden of proving its requested market value of \$30,000,000. That Renzi and Ryan used erroneous appraisal methodologies and were undermined by violations of USPAP. Mr. Renzi asserted The Chicago Board of Education has met its burden and its evidence demonstrates the subject should be valued at \$47,300,000.

In closing counsel for the board of review identified the subject property and the participants. She requested that the appraisal review submitted by the Board of Review be given no weight by PTAB due to the absence of the author's testimony. Counsel for the board of review requested the subject's present assessment of \$16,348,062 or market value of \$43,021,215, be affirmed or in the alternative accept the Intervenor's market value estimate of \$47,300,000.

Counsel for the board of review noted the appellant's witness Ecker described the subject as an "A" building with "B" rents. Based on Aronson's testimony, she claimed both Renzi and Ryan were guilty of USPAP violations thus resulting in less credible appraisals. Counsel for the board of review noted Renzi used a

net rental figure of 658,772 sf in the income approach and 595,803 sf in the sales comparison approach. Counsel for the board of review claimed Renzi improperly included tenant improvements and leasing commissions as expenses whereas had he employed appropriate methodology he would have arrived at a market value of \$43,400,000.

Counsel for the Board of Review argued Ryan's appraisal lacked credibility because he relied on a net rentable area of 616,429 sf despite Lurie's own report of 658,772 sf. Ryan described the subject as a class "C" building while Byrnes, Renzi and Ecker described the subject as a class "B" building resulting in an unreliable estimate of value. Ryan also improperly included tenant improvements and leasing commissions as expenses, had he employed appropriate methodology he too would have arrived at a market value of \$44,730,000.

Counsel for the board of review concluded that Lurie failed to prove by a preponderance of the evidence that the subject's market value is \$30,000,000. The Board of Review requests that the PTAB affirm the subject's assessment of \$16,348,062 or market value of \$43,021,215 or accept the Board of Education's value estimate of \$47,000,000.

#### ANALYSIS:

None of the appraisals contained a cost approach to value. Consequently, neither the appraisals nor the MAI appraisers' testimony offered an estimate of the subject's effective age. Mr. Ryan explained the reason for a land valuation (a vital part of the cost approach) was to determine if the value of the land exceeded the total value of the land and improvements. The land unit values per square foot vary between \$400.00 and \$750.00 P/sf or from \$14,004,000 to \$26,100,000.

#### Land Values:

Renzi:	34,855 sf at \$750.00 p/sf or \$26,100,000
Ryan:	35,366 sf at \$450.00 p/sf or \$15,900,000
Byrnes:	34,860 sf at \$650.00 p/sf or \$22,000,000
Assessor:	35,010 sf at \$600.00 p/sf or \$21,006,000 (1996-99)
Assessor:	35,010 sf at \$400.00 p/sf or \$14,004,000 (2000)

No one was present from the Assessor's Office to explain why the subject's 2000 market value of the land decreased \$7,002,000 or 50% from the previous year.

The PTAB gives little weight to the Appraisal Review of Ryan's appraisal placed into evidence by the Board of Review and authored by Eric Donnelly because Donnelly was not present to

testify or be subject to cross examination. Donnelly's review also included an estimate of value.

In testimony, Renzi stated that he gave the most weight to the sales comparison approach to value and in the appraisal's correlation he gave the most weight to the income approach. Both Ryan and Byrnes gave more weight to the income approach to value and considered the sales approach as supportive.

In testimony, Renzi referred to his co-author Sorenson when he was in doubt of specific matters of the appraisal's research data. Ryan also referred to Grogan when he was in doubt of specifics and responded to questions with "We". Byrnes personally interviewed his information sources and was very familiar with the content of his appraisal work. The PTAB concludes that while Renzi and Ryan are most knowledgeable of their appraisal trade, they were not the primary authors of their appraisals as was Byrnes.

A primary issue in this appeal is the building's classification. The PTAB finds the property's classification to be Class "B". Ecker described the building as an "A" class building due to the quality of ownership and a property that could only obtain "B" class rents because it is not as efficient as a class "A" building. Ecker testified that the gross rental rate for the subject during the late 1990's and early 2000's were in the mid \$20's p/sf. This testimony supports Byrnes testimony wherein he states that a building's class is defined by the rents it can command. Byrnes estimated the subject's gross office income at \$22.50 p/sf. Byrnes classified the subject as a class "B" building. Renzi testified that on page 49 of his report he described the building as a class "B" building. Ryan classified the subject as a class "C" building and testified he used class "C" appraisal data to estimate the final value of the subject property.

Aronson testified to an appraisal review of both Renzi's and Ryan's appraisals but offered no written report. Aronson's criticism of the Renzi appraisal include that it disclosed a total value of \$30,000,000 with an estimated land value of \$26,100,000 for a property that most recently was subject to a \$27,600,000 renovation resulting in an improvement value of \$3,900,000. Aronson noted that on page 49 Renzi made a brief reference that the subject as a class "B" building. Moreover, Aronson pointed out that in Renzi's conclusion to the sales approach Renzi used 595,803 net rentable sf at \$50.00 p/sf and in the income capitalization approach he used 658,772 sf of net rentable space. Aronson claimed that based on interviews (and he identified brokers by name), research and his own experience that, expenses for reserves, tenant improvements and leasing commissions are typically excluded as operating expenses.

Therefore, Aronson was asked to offer an opinion of value based on his reconstruction of Renzi's NOI. For illustration purposes he removed the Management, Reserves, Alteration/T.I. and Leasing Commission expenses totaling \$2,290,000 from Renzi's expense total. Aronson then capitalized this figure by accepting the appraisal's developed cap rate of 17.05% to arrive at \$13,430,000 to which he added the appraisal's final figure of \$30,000,000 to arrive at a final figure of \$43,430,000.

Further, Aronson was asked to comment on Ryan's appraisal. Aronson noted Lurie's financial statements, found in the addendum and in Renzi's appraisal, used 658,772 sf of net rentable space whereas, Ryan used 616,429 sf of net rentable space (as did Donnelly) in his appraisal analysis. In providing the income rent roll in Ryan's report on page 79, Ryan lists 63,000 sf of leased basement area, however, the same rent roll on page 31 does not include these 63,000 sf.

For illustration purposes, Aronson accepted Ryan's effective gross income of \$11,652,353. He argued \$3,914,325 in deductions for leasing commissions and office and retail tenant improvement expenses were invalid costs and should not be applied. Therefore, the subject's NOI would be \$7,738,000, rounded. Again, accepting Ryan's 17.3% capitalization rate, with tax load, would result in a market value of \$44,730,000, rounded. Aronson noted Ryan gave his income approach primary consideration.

Uzemack testified to an appraisal review of Byrnes' appraisal and offered no written report. Uzemack testified Byrnes' report had some serious holes in it. His basic concern was that Byrnes never clearly defined the class of the subject building. Uzemack described any building built in the 1920's as automatically a class "C" building. Class "B" buildings were built between the 1950's and early 1980's and are newer and more modern buildings. Class "A" buildings are more visually different, more efficient, safe, electronic and economical. The "B" and "C" buildings have functional inadequacies. He held that remodeling could modify such inefficiencies but the functional obsolescence remains. Byrnes did claim that the 1997 remodeling decreased the subject's effective age.

Uzemack testified that Lurie Management is very good at what they do, so they also can command rents higher than most class "C" buildings in the Loop. Uzemack praised Lurie for their investment in the property. He described the stabilized net income at \$7,500,000 (Byrnes' figure) dividing that by their (Lurie) \$28 or \$30 million renovation input would result somewhere around a 26% or 27% return on investment. He stated that if are real estate savvy with the right tenants that this is a smart investment. It is to be noted Renzi's addendum disclosed

that the American National Bank leases more than 300,000 sf of office space with a 20-year lease.

In Byrnes' income approach Uzemack disclosed the property's income and expenses were not stabilized as of January 1, 2000. The appraisal reported, from the ownership's records, a 70% occupancy for 1998 and just shy of 80% for 1999. The appraisal stabilized the vacancy and collection loss at 85% occupancy. Uzemack stated that omitted in Byrnes' analysis is the cost data relating to that 5% to bring it up to 85% occupancy. Uzemack, using 5% of 658,000 sf net rentable space arrived at the 32,900 sf needed to achieve the stabilized rent figures and stabilized expenses. Uzemack's research with Lurie disclosed a \$45.00 p/sf cost to make renovations and improvements to the 32,900 sf of space, or a cost of \$1,480,500. If this cost were included in the stabilized income and expenses it would contribute to the value of the property. Capitalizing the \$1,480,500 by the Byrnes' loaded cap rate of 16.08% would result in a deduction of \$9,207,000 from the final value. The appraisal opines a final value of \$47,265,000. Uzemack claimed deducting the \$9,207,000 results in a final rounded value of \$38,000,000. Mr. Uzemack concluded that this was a huge error in the appraisal.

After hearing the testimony and considering the evidence, the Property Tax Appeal Board finds it has jurisdiction over the parties and the subject matter of this appeal. The issue before the Property Tax Appeal Board is the determination of the subject's market value for ad valorem tax purposes.

When market value is the basis of the appeal, the value of the subject property must be proved by a preponderance of the evidence. Winnebago County Board of Review v. Property Tax Appeal Board, 313 Ill.App.3d 179, 728 N.E.2d 1256 (2<sup>nd</sup> Dist. 2000). Proof of market value may consist of an appraisal, a recent arm's length sale of the subject property, recent sales of comparable properties, or recent construction costs of the subject property. (86 Ill.Adm.Code §1910.65(c)).

The Property Tax Appeal Board gives little or no weight to the Appraisal Review of Ryan's appraisal placed into evidence by the Board of Review. It was no more than a critique of Ryan's appraisal accepting Ryan's data as a source and basis of judgment. The Review authored by Eric Donnelly gave an estimate of value but because Donnelly was not present to testify or be subject to cross examination the PTAB gives his work little weight.

The Property Tax Appeal Board finds the property appraised, 120 South La Salle, was a difficult assignment due to the building's age and extensive, expensive renovation. None of the MAI appraisers or reviewers offered to estimate an effective age for

the subject. Only Kevin Byrnes referred to the subject property as a younger building due to the extensive renovation and thus leveled the age comparability between the subject and the various comparable properties used by Byrnes in his sales and income approaches to value. The appellant's appraisers and reviewer referred to the actual age of the subject of 72 years despite an extensive renovation.

Byrnes testified to and gave the impression that he personally made contact with and confirmed his sources of information and was the primary author of the appraisal and under cross-examination had detailed knowledge of the appraisal.

The Property Tax Appeal Board further finds Kevin Byrnes' appraisal the most credible but with reservations. In Byrnes' income approach Uzemack disclosed the property's income and expenses were not stabilized as of January 1, 2000. The appraisal stabilized the vacancy and collection loss at 85% occupancy. Uzemack stated that omitted in Byrnes' analysis is the cost data relating to the 5% to achieve the 85% occupancy.

The Property Tax Appeal Board assigns less weight to Neil Renzi's appraisal and testimony because while he appeared most familiar with the appraisal process due to his years of experience he was less familiar with this particular appraisal assignment and its content. He testified that a property with \$27,600,000 in renovation, under excellent management and with 300,000 square feet of net rental space under a 20-year lease is at the end of its economic life.

The Property Tax Appeal Board affords less weight to Ryan's appraisal because his appraisal concluded the subject property was a Class "C" building based on its actual age. The evidence and testimony disclosed and the Property Tax Appeal Board finds that the property is a Class "B" building. This finding undermines Ryan's income approach and sales approach to value as did his use of 616,423 square feet of net rentable space rather than the correct 658,772 square feet.

Byrnes' appraisal and testimony are not without fault. Under cross-examination he was either unaware of or forgot the subject building contained not full floors but included an interior multi-story atrium. Mr. Uzemack, claiming a large error, disclosed that Byrnes failed to fully stabilize the property's income and expenses as of January 1, 2000.

Renzi's appraisal estimated the subject's 2000 market value at \$30,000,000. Aronson made unchallenged adjustments to Renzi's income approach resulting in a revised value of \$43,430,000.



Ryan's appraisal estimated the subject's 2000 market value at \$30,000,000. Aronson made unchallenged adjustments to Ryan's income approach resulting in a revised value of \$44,730,000.

Byrnes' appraisal estimated the subject's 2000 market value at \$47,265,000. Uzemack made unchallenged adjustments to Byrnes' income approach resulting in a revised value of \$38,000,000.

The five MAI appraisers/reviewers gave the most weight to the income approach to value that disclosed values of \$38,000,000, \$43,430,000 and \$44,730,000. After considering adjustments, all three appraisers gave the sales comparison approach supporting status to the income approach to value. Of the three appraisals, the Property Tax Appeal Board gives more weight to Byrnes' sales comparison approach to value due to his research and personal confirmation of information. In addition, in the sales comparison approach only Byrnes recognized the effective age of the subject was affected by the \$27,000,000 renovation. Only two of nine submitted property sales submitted by Renzi and Ryan, ranging from \$8,725,000 to \$39,750,000, surpassed the subject's \$27,600,000 cost of renovation.

After hearing the testimony and considering the evidence, the Property Tax Appeal Board finds the subject property had a market value of \$43,000,000, as of January 1, 2000.

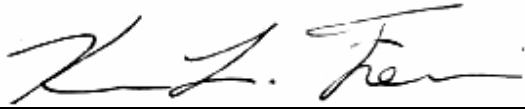
The Property Tax Appeal Board further finds that the Cook County Real Property Classification Ordinance for class 5a property of 38% shall apply to the market value finding.

Given the subject's actual market value found herein, the subject parcel should reflect a total assessment of \$16,340,000. Since the current total assessment of \$16,348,062 is greater than the assessment warranted by the subject's market value finding herein, a reduction is appropriate.


This is a final administrative decision of the Property Tax Appeal Board which is subject to review in the Circuit Court or Appellate Court under the provisions of the Administrative Review Law (735 ILCS 5/3-101 et seq.) and section 16-195 of the Property Tax Code.



Chairman



Member



Member



Member



Member

DISSENTING: \_\_\_\_\_

C E R T I F I C A T I O N

As Clerk of the Illinois Property Tax Appeal Board and the keeper of the Records thereof, I do hereby certify that the foregoing is a true, full and complete Final Administrative Decision of the Illinois Property Tax Appeal Board issued this date in the above entitled appeal, now of record in this said office.

Date: January 25, 2008



Clerk of the Property Tax Appeal Board

**IMPORTANT NOTICE**

Section 16-185 of the Property Tax Code provides in part:

"If the Property Tax Appeal Board renders a decision lowering the assessment of a particular parcel after the deadline for filing

complaints with the Board of Review or after adjournment of the session of the Board of Review at which assessments for the subsequent year are being considered, the taxpayer may, within 30 days after the date of written notice of the Property Tax Appeal Board's decision, appeal the assessment for the subsequent year directly to the Property Tax Appeal Board."

In order to comply with the above provision, YOU MUST FILE A PETITION AND EVIDENCE WITH THE PROPERTY TAX APPEAL BOARD WITHIN 30 DAYS OF THE DATE OF THE ENCLOSED DECISION IN ORDER TO APPEAL THE ASSESSMENT OF THE PROPERTY FOR THE SUBSEQUENT YEAR.

Based upon the issuance of a lowered assessment by the Property Tax Appeal Board, the refund of paid property taxes is the responsibility of your County Treasurer. Please contact that office with any questions you may have regarding the refund of paid property taxes.